

December 10, 2007

DEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into the Review of the California High Cost Fund B Program.

R.06-06-028

OPENING COMMENTS OF

CALAVERAS TELEPHONE COMPANY (U 1004 C)
CAL-ORE TELEPHONE CO. (U 1006 C)
DUCOR TELEPHONE COMPANY (U 1007 C)
FORESTHILL TELEPHONE CO. (U 1009 C)
HAPPY VALLEY TELEPHONE COMPANY (U 1010 C)
HORNITOS TELEPHONE COMPANY (U 1011 C)
KERMAN TELEPHONE CO. (U 1012 C)
PINNACLES TELEPHONE CO. (U 1013 C)
THE PONDEROSA TELEPHONE CO. (U 1014 C)
SIERRA TELEPHONE COMPANY, INC. (U 1016 C)
THE SISKIYOU TELEPHONE COMPANY (U 1017 C)
VOLCANO TELEPHONE COMPANY (U 1019 C)
WINTERHAVEN TELEPHONE COMPANY (U 1021 C)
("SMALL LECs")

ON PROPOSED DECISION OF COMMISSIONER CHONG ON CALIFORNIA ADVANCED SERVICES FUND (Mailed November 20, 2007)

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I. INTRODUCTION.

Calaveras Telephone Company (U 1004 C), Cal-Ore Telephone Co. (U 1006 C), Ducor Telephone Company (U 1007 C), Foresthill Telephone Co. (U 1009 C), Happy Valley Telephone Company (U 1010 C), Hornitos Telephone Company (U 1011 C), Kerman Telephone Co. (U 1012 C), Pinnacles Telephone Co. (U 1013 C), The Ponderosa Telephone Co. (U 1014 C), Sierra Telephone Company, Inc. (U 1016 C), The Siskiyou Telephone Company (U 1017 C), Volcano Telephone Company (U 1019 C) and Winterhaven Telephone Company (U 1021) (collectively "Small LECs") hereby submit their opening comments on the Proposed Decision of Commissioner Chong Related to The California Advanced Services Fund ("CASF") herein mailed on November 20, 2007 ("PD").

As they stated in comments first submitted with respect to the CASF in September and October of 2007, the Small LECs support the creation of a CASF as was described by the Commission in D. 07-09-020 and the PD. A properly constructed CASF would be beneficial for California and its economy, particularly many of its rural areas. The Small LECs believe that the PD is a step in the right direction toward achievement of these goals.

The Small LECs' support for the PD is based upon certain CASF features it adopts: In particular, the PD extends to the Small LECs the opportunity to participate in the CASF and apply for funding. The CASF does not attempt to pick a winning technology. It has a finite duration, which will enhance the ability of the Commission to make adjustments in the program as the process moves forward. The CASF is open only to certificated telephone corporations. Despite all of these commendable features, however, there are a limited number of areas consistent with the intent of the PD where it should be modified as explained below.

II. FEDERAL BROADBAND FUND.

As the Commission is aware, on the same day that the PD was mailed for comment, the Federal Communications Commission Joint Board issued a Recommended Decision concerning federal universal service support in WC Docket No. 05-337 and CC Docket No. 96-45. Among the steps it recommends is the creation of a broadband fund to support deployment of broadband

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upon its release.

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III. USE OF CENSUS BLOCK GROUPS.

The PD requires that applications be based upon contiguous groups of census block groups ("CBGs") as the geographic definition of a project. (PD p. 29). The Small LECs have never used CBG data in connection with plant deployment, but rather have used wire center and service area definitions. The Small LECs are concerned that this change will entail expenses that would better be devoted to plant investment. In addition, use of CBGs may create customer relations issues, as their boundaries frequently run down the centerlines of highways and roads and, depending upon how a specific application was developed, some customers could be left out. Also, Small LEC regulatory accounting is based on exchanges rather than CBGs. It would be helpful if regulatory accounting and CASF applications were consistent. Finally, there is no justification in the language of the PD for its use of CBG's to the exclusion of other geographic boundaries. It appears to be a holdover from CHCF-B eligibility calculations, which are not related to CASF eligibility. As provided in the PD at p. 40, CASF eligibility is not based upon cost calculations, but upon whether an area is unserved or underserved with broadband. Therefore, the Small LECs request that the PD be modified to provide that applications submitted for their territories may be made on an existing wire center or service area basis. They suggest that the first sentence of section 2., paragraph (3) on p. 28 of the PD be modified to read as follows:

in high cost areas. If ultimately adopted, the federal broadband fund would augment state funding

additional support for broadband. On this basis, the PD appears to be consistent with the federal

proposal and there is no reason to modify or delay implementation of the proposed CASF based

and be administered by the states, and California service providers could expect to receive

"Geographic locations by census block groups where broadband facilities will be deployed, although applications in service territories of the Small LECs may be based upon wire center or service area definitions at the applicant's option."

A similar change will need to be made in Ordering Paragraph no. 5, p. 52.

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IV. DISBURSEMENT SCHEDULE.

The PD provides for a disbursement schedule based upon percentages of completion of the total project approved. The PD provides that 25% of the award will be disbursed upon submission of documentary evidence that the total project has been 25% completed, with subsequent disbursements at 50%, 75% and 100% completion of the total project. While superficially reasonable, such a schedule is practical only if the milestone payments can be based upon percentage of total project costs, including all engineering work, planning, material purchases and the like. Many of those costs are incurred at the front end of a project before tangible results in the field are evident. In order to reflect this reality, the PD at pp. 43 – 44 and Ordering Paragraphs nos. 17 and 18 should be modified to refer to completion of the "total project, including engineering, planning and material procurement costs."

V. UNSERVED AND UNDERSERVED AREAS.

The PD explains that applications to construct broadband facilities in unserved areas will be given highest priority, with underserved areas being given secondary priority. (PD p. 40). In this connection, an unserved area is defined as an area "not served by facilities capable of providing 3 MBPS download and 1 MBPS upload speeds." An underserved area is defined as "an area with only one facilities based provider capable of providing those speeds to all customers." Assigning applications to construct broadband facilities in unserved areas the highest priority is sensible, and the Small LECs strongly support this rule. It makes no sense to make funds available in an underserved area as defined in the PD until carriers have had the opportunity to seek funding to bring broadband service to an area with no service provider. It would not be sensible to use money from a public policy fund collected from every end user in California to promote competition simply for competition's sake in underserved areas until all of the proper funding requests for areas where no broadband service is available have been satisfied.

VI. MISCELLANEOUS.

Ordering Paragraph no. 3, p 52 contains a reference to an appendix which is not attached to

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1	the PD. Such an appendix does not appear to be necessary, so this reference should be eliminated.
. 2	Dated this 10th day of December, 2007, at San Francisco, California.
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1 APPENDIX A 2 PROPOSED MODIFICATIONS: ORDERING PARAGRAPH NO. 3 3 A process is hereby established for the filing of applications by qualified telephone corporations to seek funding available through the California Advanced services Fund, as set forth in the appendix 5 hereto. 6 ORDERING PARAGRAPH NO. 5 A separate showing shall be required for each proposed broadband project. For this purpose, a single broadband project is defined as deployment encompassing a single contiguous group of CBGs, although applications in service territories of the Small LECs may be based upon wire center or service area definitions at Applicant's option. 9 ORDERING PARAGRAPH NO. 17 10 An initial disbursement of 25% of the total CASF award shall be made upon Applicant's 11 submission to Commission staff of a progress report, with supporting documentation showing that Applicant has completed 25% of the total approved broadband project, including engineering. planning and material procurement costs. Supporting documentation shall be provided in the form of invoices, and other relevant documentation, showing the expenditures incurred for the project. Staff may require additional supporting information or verification from the applicant as a basis 13 for disbursement of CASF funds. 14 ORDERING PARAGRAPH NO. 18 15 Subsequent CASF disbursements shall be made upon Applicant's submissions of documentation 16 showing completion of 50%, 75% and 100%, respectively, of the total project, including engineering, planning and material costs. 17 18 19 20 21 22 23 24 25 26

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CERTIFICATE OF SERVICE BY MAIL

I, Martin Spence, declare:

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is COOPER, WHITE & COOPER LLP, 201 California Street, 17th Floor, San Francisco, CA 94111.

On December 12, 2007, I served a true copy of the:

OPENING COMMENTS OF

CALAVERAS TELEPHONE COMPANY (U 1004 C)
CAL-ORE TELEPHONE CO. (U 1006 C)
DUCOR TELEPHONE COMPANY (U 1007 C)
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ON PROPOSED DECISION OF COMMISSIONER CHONG ON CALIFORNIA ADVANCED SERVICES FUND (Mailed November 20, 2007)

by placing a true and correct copy thereof with the firm's mailing room personnel, for mailing in accordance with the firm's ordinary practices, to the parties on the CPUC's service list for this proceeding. A true and correct copy was also e-mailed to those parties on the attached CPUC service list who provided an e-mail address.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 12, 2007, at San Francisco, California.

Martin Spence

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